

SALT LAKE COUNTY

*2001 S State Street, N2-800
Salt Lake City, UT 84114*



Meeting Minutes

Wednesday, September 29, 2021

2:00 PM

**County Government Building
Room N2-800**

Debt Review Committee

1. Call to Order

Present: Committee Member David Delquadro
Chair Ralph Chamness
Committee Member Brad Kendrick
Ex-Officio Member Jon Bronson

Excused: Committee Member Wayne Cushing

Call In: Committee Member Scott Tingley
Committee Member Darrin Casper
Committee Member Javaid Majid

2. Public Comment**3. Approval of Minutes****3.1 Approval of Minutes from August 9, 2021 Meeting** [21-1122](#)

Attachments: [2 - Salt Lake County Debt Review Meeting Minutes 2021-08-09.pdf](#)

A motion was made by Council Member Majid, seconded by Council Member Delquadro, that this agenda item be approved. The motion carried unanimously.

4. Discussion Items**4.1 Financial Update** [21-1126](#)

Mr. Marcus Keller, Vice President, Zions Public Finance, reviewed the market updates for the week of September 20, 2021.

4.2 2022 Build American Bonds sequestration analysis [21-1127](#)

Attachments: [4 - updated sequestration letter.pdf](#)

Mr. Marcus Keller, Vice President, Zions Public Finance, reviewed the Internal Revenue Service's (IRS) sequestration reduction in amounts paid to issuers of direct pay bonds for federal fiscal year 2022, including Build America Bonds. Refund payments will be at the sequestration rate of 5.7 percent. He went over the County's Build America Bonds that received a reduction going into 2022.

Mr. Casper asked what the sequestration rate was last year.

Mr. Eric Pehrson, Vice President, Zions Public Finance, stated last year's rate was also 5.7 percent. This is the third year the IRS has continued that rate.

4.3 Review Pricing Book for Municipal Building Authority Lease Revenue Bonds Series 2021 [21-1128](#)

Attachments: [5 - Pricing Book.pdf](#)

Mr. Marcus Keller, Vice President, Zions Public Finance, presented the pricing book on the County's Municipal Building Authority Lease Revenue Bonds, Series 2021. He reviewed the transaction information, including the purpose of the bonds, which is to finance a portion of the costs of the Granite Library and additional monies for the completion of the Daybreak Library; the source and uses of the funds; the structure of the bond issue; the capitalized interest fund; the interest cost; the average life; call features; bond ratings; bond insurance; underwriter's spread; costs of issuance; the dated date; the closing date; and a summary. He also reviewed the market information, focusing on the comparables.

Mr. Greg Folta, Finance Director, Mayor Finance, stated he would have excluded the General Obligation Bond comparison. Mayor Finance has tried to refine its outcome and indicator to use similar time frames.

Mr. Jon Bronson, Senior Vice President, Zions Public Finance, stated Zions Public Finance cannot dial down to a perfect comparison; it tries to control for as many factors as it can.

Mr. Keller continued the presentation reviewing the rating agency reports. He stated the County got an AA+ rating, which is the highest rating it can have on Lease Revenue Bonds. The rating agencies never give Lease Revenue bonds an AAA rating.

4.4 Cash Defeasement of Bonds [21-1129](#)

Attachments: [6 - Jan 2020 DRC Minutes.pdf](#)
[6 - Meeting with Dave Alvord.pdf](#)
[6 - SL County Cash Defeasance.pdf](#)
[6 - SLCo Def 09B MBA 08-04-21.pdf](#)
[6 - SLCo Def 10B TTRB 08-04-21.pdf](#)
[6 - SLCo Def 12A STRB 08-04-21.pdf](#)
[6 - SLCo Def 14 STRB 08-04-21.pdf](#)
[6 - SLCo Def 15A GO 08-04-21.pdf](#)
[6 - SLCo Def 15B GO 08-04-21.pdf](#)
[6 - SLCo Def 17 Rd Rev 08-04-21.pdf](#)
[6 - SLCo Def 17 STRB-TRCC 08-04-21.pdf](#)
[6 - SLCo Def 17B GO 08-04-21.pdf](#)
[6 - SLCo Def 17B STRB 08-04-21.pdf](#)
[6 - SLCo Def 19 MBA 08-04-21.pdf](#)
[6 - SLCo Def 20 GO 08-04-21.pdf](#)
[6 - SLCo Def 20 STRB 08-04-21.pdf](#)
[6 - SLCo Def 20B STRB 08-04-21.pdf](#)

Mr. Jon Bronson, Senior Vice President, Zions Public Finance, stated he met with Council Member Dave Alvord who asked why the County was not looking at cash defeasance (taking bonds off the books) with its excess cash. The County does look at that from time to time - the Debt Review Committee looked at that in January 2020, but it concluded not to do it then because of uncertainties with COVID-19.

He reviewed the information he relayed to Council Member Alvord about how cash defeasance worked. He also reviewed the results of an analysis Zions Bank ran for Council Member Alvord on August 4th on cash defeasance, including the assumptions, the normal refunding rules of thumb, the three viable candidates using those rules of thumb (the Series 2012A Sales Tax Revenue Bonds, Series 2020B STRB Bonds, and Series 2020 GO Bonds), other outstanding issues using net present value savings, and high negative arbitrage.

Committee Member Casper stated he was interested in looking at defeasing some of these. He asked if the rating agencies would lower the County's bond rating if it used U.S. Treasury Securities to form an escrow to defease an issuance.

Mr. Bronson stated he has never seen that happen, but if the County gets serious about doing that, Zions Bank will look into it. He reviewed the County's funds that could be used to defease a bond, which included the General Fund, other governmental and proprietary funds, or COVID-19 stimulus funds. He would not recommend using the General Fund because if the County dropped below 15 percent, its AAA rating would be jeopardized, and the County is running between 18 and 25 percent. With regard to other governmental and proprietary funds, those are the County's strengths, along with its low debt. Lowering debt at the expense of reducing cash did not seem to be a wise thing to do. Then, if the County looked at using cash from the stimulus, it would have to find a way to clean that because legislation says Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARPA) funds cannot be used to make debt service payments or defease bonds.

Committee Member Delquadro asked that the Debt Review Committee send a letter to the County Council Chair about this discussion.

Mr. Bronson agreed to prepare a letter for the Council Chair and circulate it to the Debt Review Committee members.

5. Other Committee Business

Mr. Jon Bronson, Senior Vice President, Zions Public Finance, reviewed a letter he sent to Ralph Chamness, Chair, Debt Review Committee, resigning from the Debt Review Committee. He is reducing his hours of work as he moves toward retirement in 2022. Marcus Keller, Vice President, Zions Public Finance will be replacing him on the Debt Review Committee through the rest of his term, although he will attend for the next few months as backup to Mr. Keller.

5. Other Committee Business

Committee Member Chamness stated Salt Lake Community College (SLCC) is going to be requesting the Council conduct a Tax Equity and Fiscal Responsibility Act (TEFRA) hearing for an issuance it is doing for a project to build dormitories at its Taylorsville-Redwood Campus. The County would not be involved in the issuance of debt. The hearing will probably be held October 19th or 26th.

Mr. Jon Bronson, Senior Vice President, Zions Public Finance, stated SLCC is using Stifel Nicolaus as a financial advisor, which asked if the County could be a conduit issuer for this issue. However, it is going to be non-rated, and the County's ordinance says it can only do conduit issues for rated entities. So, SLCC is now going through a national conduit issuer.

6. Adjournment

The meeting was adjourned at 3:35 PM.

SHERRIE SWENSEN, COUNTY CLERK

By _____
DEPUTY CLERK

By _____
CHAIR, DEBT REVIEW COMMITTEE